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**1992/02/28**

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FRB-03 H-01 IMRE-00 INR-01 ITC-01 JUSE-00 LAB-04  
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P 280336Z FEB 92 ZDK  
FM AMEMBASSY BEIJING  
TO SECSTATE WASHDC PRIORITY 0504  
INFO AMCONSUL SHENYANG  
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E.O. 12356: DECL: OADR  
TAGS: ETRD, TSPA, ETTC, CM

SUBJECT: AEROSPACE OFFICIALS COMMENT ON SANCTIONS,  
SATELLITE LAUNCH PRICING

REF: (01) STATE 378055

1. SUMMARY. CHINESE AEROSPACE OFFICIALS ARE INTERESTED IN CONTINUING DISCUSSIONS ON PRICING ISSUES FOR SATELLITE LAUNCHES AND REMAIN CONVINCED THAT THEY ARE LIVING UP TO THEIR END OF THE AGREEMENT ON TRADE IN LAUNCH SERVICES. IN A MEETING FEBRUARY 26, THEY ALSO ASKED ABOUT U.S. WILLINGNESS TO EXTEND THE TIMEFRAME FOR LAUNCHES UNDER THE AGREEMENT BEYOND 1994 AND INVITED THE U.S. DELEGATION TO BEIJING FOR ANOTHER ROUND OF CONSULTATIONS. END SUMMARY.

2. VISITING CHINA DESK OFFICER ROBERT WINSHIP AND ECONOFF MET FEBRUARY 26 WITH CHINESE AEROSPACE OFFICIALS TO DISCUSS SATELLITE LAUNCH ISSUES. THE CHINESE SIDE INCLUDED FENG YUNXIANG, VICE DIRECTOR OF THE MINISTRY OF AEROSPACE INDUSTRY'S GENERAL OFFICE; CHEN ZHONGQING, DEPUTY DIRECTOR GENERAL OF THAT MINISTRY'S DEPARTMENT OF INTERNATIONAL COOPERATION; AND ZHOU PING, SENIOR COLONEL IN THE FOREIGN AFFAIRS DEPARTMENT OF THE COMMISSION OF SCIENCE, TECHNOLOGY, AND INDUSTRY FOR NATIONAL DEFENSE.

SATELLITE AGREEMENT AND PRICING ISSUES

3. FENG RECALLED THAT AT THE CONSULTATIONS IN

WASHINGTON LAST OCTOBER THE CHINESE HAD STATED THAT THEY WERE ACTING ACCORDING TO THE REQUIREMENTS OF THE 1989 AGREEMENT. ON THE CONTRARY, HE SAID, THE CHINESE

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VIEW REMAINED THAT THE U.S. HAD VIOLATED THE AGREEMENT BY IMPOSING SANCTIONS ON SATELLITE SALES WITHOUT CONSULTATION.

4. ON SATELLITE LAUNCH PRICES, FENG STATED THAT THERE WAS NO INTERNATIONAL STANDARD, CITING THE DIFFERENT PRICES CHARGED BY THE U.S. AND BY FRANCE AS AN EXAMPLE. CHINA'S PRICES REFLECTED ITS LOW COSTS, HE ARGUED, AND THEREFORE CHINA WAS ACTING STRICTLY ACCORDING TO THE AGREEMENT. HE CLAIMED THE U.S. HAD NOT CONSIDERED WHETHER CHINA'S COSTS WERE REASONABLE. HE URGED JOINT DISCUSSIONS AMONG THE U.S., FRENCH, AND CHINESE LAUNCH COMPANIES.

AN APPEAL TO PERMIT LAUNCHES AFTER 1994

5. COLONEL ZHOU COMMENTED THAT CHINA HAD RECEIVED APPROVAL TO LAUNCH ONLY THREE U.S. SATELLITES BEFORE SANCTIONS TOOK EFFECT. AFTER A DESULTORY EXCHANGE ON THE EFFECTIVE DATE OF SANCTIONS (JUNE 1989, THE CHINESE ARGUED, RATHER THAN JUNE 1991) AND WHETHER SANCTIONS HAD PREVENTED ANY LAUNCHES, ZHOU NOTED THAT THE AGREEMENT ALLOWED CHINA TO LAUNCH AN ADDITIONAL SIX SATELLITES BY 1994. CONCERNED THAT BECAUSE OF THE SANCTIONS NOT ALL THE PERMITTED LAUNCHES COULD TAKE PLACE BY THAT TIME, HE WAS INTERESTED IN KNOWING

WHETHER THE U.S. WOULD BE WILLING TO ALLOW LAUNCHES UNDER THE AGREEMENT IN 1995 OR 1996. HE SAID TALKS BETWEEN THE TWO SIDES NEEDED TO ADDRESS THIS ISSUE.

AN INVITATION FOR THE NEXT ROUND OF CONSULTATIONS

6. CHEN ZHONGQING NOTED THAT THE CHINESE GOVERNMENT IS VERY SERIOUS IN ITS OFFER TO ADHERE TO THE MCTR GUIDELINES IN EXCHANGE FOR THE LIFTING OF SANCTIONS. HE BELIEVED THAT COOPERATION ON SPACE LAUNCHES IS GOOD FOR BOTH SIDES. HE EXPRESSED A WILLINGNESS TO FIND WAYS TO RESOLVE THE PRICING ISSUES. HE CLOSED BY NOTING THAT SUN JIADONG, PRESIDENT OF THE MINISTRY OF AEROSPACE'S SCIENCE AND TECHNOLOGY COMMITTEE, HAD ASKED HIM TO CONVEY THE MESSAGE THAT CHINA WOULD LIKE TO INVITE A U.S. DELEGATION TO BEIJING FOR THE NEXT ROUND OF CONSULTATIONS.

7. COMMENT. THE CHINESE AEROSPACE OFFICIALS ARE

CLEARLY BELIEVED THAT THE SANCTIONS ARE BEING LIFTED. WHILE UNWILLING TO BUDGE IN THEIR VIEWS ON PRICING, THEY AT LEAST TALK AS IF THEY WANT TO EXPLORE WAYS TO RESOLVE THE ISSUE. END COMMENT. ROY

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